Haaga-Helia
University of Applied Sciences

Determinant metrics for a resource-seeking FDI

Case: Siili Solutions Oyj

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Master's Thesis
Degree Programme in
International Business
Management
2018

Haaga-Helia
University of Applied Sciences

Abstract

May 2018

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Degree programme
International Business Management Administration

Report/thesis title
Determinant metrics for a resource-seeking FDI.
Case: Siili Solutions Oyj.

Number of pages and appendix pages
42+4

The objective of this study is to develop a set of metrics which determine a Go/No-Go decision for a resource-seeking foreign direct investment. The metrics are validated in the context of Siili Solutions expanding its operations to Bulgaria seeking a new pool of competences.

Research has 2 propositions:

- Building “competence management” dynamic capabilities can be done in a form of a resource-seeking Foreign Direct Investment.
- Determinant metrics in a resource-seeking FDI decision are different from the overall (macroeconomics) level metrics.

The main research question is “What metrics are determinant when a multinational corporation is expanding its operations to a new location in order to get assets for competence management?” The theoretical part covers the ways of dynamic capabilities creation and the types of foreign direct investment. Main inspiration for the set of metrics is coming from the A.T. Kearney Foreign Direct Investment Confidence Index® and its FDI criteria.

This study is a constructive research with a qualitative approach. The list of metrics itself is a result of a secondary research and different global index reports analysis. The assessment of the country based on the metrics is the result of statistics collected from different sources and interviews of Siili employees. The feedback is the result of the C-level executives’ interviews.

The metrics which are relevant only for the resource seeking FDI have been identified and validated with the case country of this research, Bulgaria. The feedback indicates that the metrics list is relevant and re-usable with similar cases in the future.

Nevertheless, the following development of the metric list is needed - weight factor of each metric. Some metrics might be a showstopper for a Go decision, whilst other metrics might just be an unpleasant experience that can be either mitigated or accepted. Study has also revealed that while the metrics are relevant for a resource-seeking FDI, they are not sufficient for an FDI Go decision, but nevertheless serve a great indicator if FDI is a good step for building the competence management dynamic capability.

As a conclusion, it can be stated that author had succeeded in creation of the determinant metrics list for the case company and validated it with a case country. As a result, more transparency has been achieved in the decision making about the Siili expansion to Bulgaria and decision reasoning can be backtracked if needed.

Keywords
Dynamic capabilities, resource-seeking foreign direct investment, FDI, balanced scorecard, metrics, Bulgaria, Siili Solutions

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1 Introduction

Introduction chapter is shortly describing the study subject company and the overall structure of this work. Siili Solutions PLC (Siili) is a technology independent software integrator and digital service partner offering customers to find themselves in the era of digitalization. Currently, company finds itself in a talent war on the Finnish competence market. Siili is considering expanding its operations to Bulgaria to get access to new talents. The goal of this study is to help Siili in making an educated decision considering risks and benefits of expanding to Bulgaria. This is going to be done by compiling a balanced checklist consisting of metrics for different areas of operations. The challenge of compiling such a list comes from the fact that Siili is not interested in the expansion location as a pure outsourcing location, neither it is interested in the IT market of the target destination. The need for development of such a list is coming from Siili's service development with a plan that the list can be used in the future evaluation of other possible expansion locations. The value of the outcome of this thesis is in providing Siili management group and board of directors a balanced and structured approach of evaluating the expansion locations, which is tailored for the company needs of talent acquisition and competence development. Screening of other possible countries for expansion than Bulgaria is out of this thesis' scope.

1.1 Siili Solutions

Siili is a technology independent software integrator and digital service partner offering customers to find themselves in the era of digitalization. Siili's main advantage is in combination of different capabilities in the same offering - services, technology platforms, information management, architecture and project management. At the same time, Siili is an adept of the Lean philosophy which means that its values include transparency, respect and co-creation together with the customer not for the customer.

Siili is a Finnish IT consulting company currently listed at Nasdaq Helsinki, Finland. It has around 550 people and operates and recruits in 4 different locations: Finland, Helsinki and Oulu; Germany, Poland and USA. Mission: Siili combines design, technology and key business data together, jointly with the customer, for the customer's best. Vision: World leader in combining design, technology, data, and business understanding. Siili's vision is to be known as the most innovative and most effective modern software integrator in Europe by 2020.

Goal: Growth supported by acquisitions. Objectives. Grows: 20% of turnover growth per year in average. Viability: over 10% EBITDA growth in average. Strategy: Benefiting from

the changing market in Finland where focus is shifting from the traditional software development to the direction of the new digital services and mainly in the area of Finance, Telecom & media, Public sector, and Industry including services. Every year the strength between these business areas is changing, but together they have always been able to produce great numbers. Important differentiating factor over smaller players in this market is Siili's ability to combine design, technology and data; transparency gives an advantage over big integrators; co-creative approach makes Siili always a safe choice to the clients. Financial information for the recent years demonstrating the constant growth can be found from the table 1.

Table 1. Siili Solutions Oyj financial information key figures for the period 2014-2017 (Siili Solutions 2018)

Key figures	**2017 Group**	**2016 Group**	**2015 Group**	**2014 Group**
EBITDA (EUR 1,000)	5,771	4,770	4,018	2,705
EBITDA, % of net sales	10,0%	9.9%	9.6%	9.2%
Profit for the period, (EUR 1,000)	3,970	3,180	2,459	1,758
Profit for the period, % of net sales	6,9%	6.6%	5.9%	6.0%
Number of employees at the end of the period	563	440	368	328

In the international growth strategy, IoE (internet of everything) is a key driver for Siili, by combining strong engineering, design, and cloud expertise together, Siili wants to become a world class player in any complex digital service creation. In Germany, Siili has already opened the new business vertical with Automotive digital cockpit HMI-development, where ability to combine design with extremely efficient software engineering is the key competition factor, although backend technology is unique. Automotive business development has identified significant business potential in US, where Siili's has decided to invest into 2 new locations, California and NYC in 2016. New market entry utilizes Lean Startup approach without compromising the profitable domestic business which on practice means that before investing in any new resources, competences or methodologies development, there should be a demand from the customer first.

Vertical integration can be seen in training and recruitment steps. Siili has launched a Master and Apprentice programme in 2016 hiring junior specialists straight from the Universities and training them in the house by the house experts for 4 months. As well as created Siili Academy to share existing knowledge by training in management methodologies, design thinking and robotics. Siili's integration in technology is happening by signing partnerships with the trendiest technology providers, like with Amazon, Microsoft, etc.

It has been after the acquisition of Avaus in 2014, that Siili started to operate internationally as Avaus has had an office in Poland. Shortly after this, an office in Berlin was opened following an old customer demand which HQ moved to Germany as well. The full acquisition history can be followed on the figure 1, with the description of the acquired competences in Finnish.

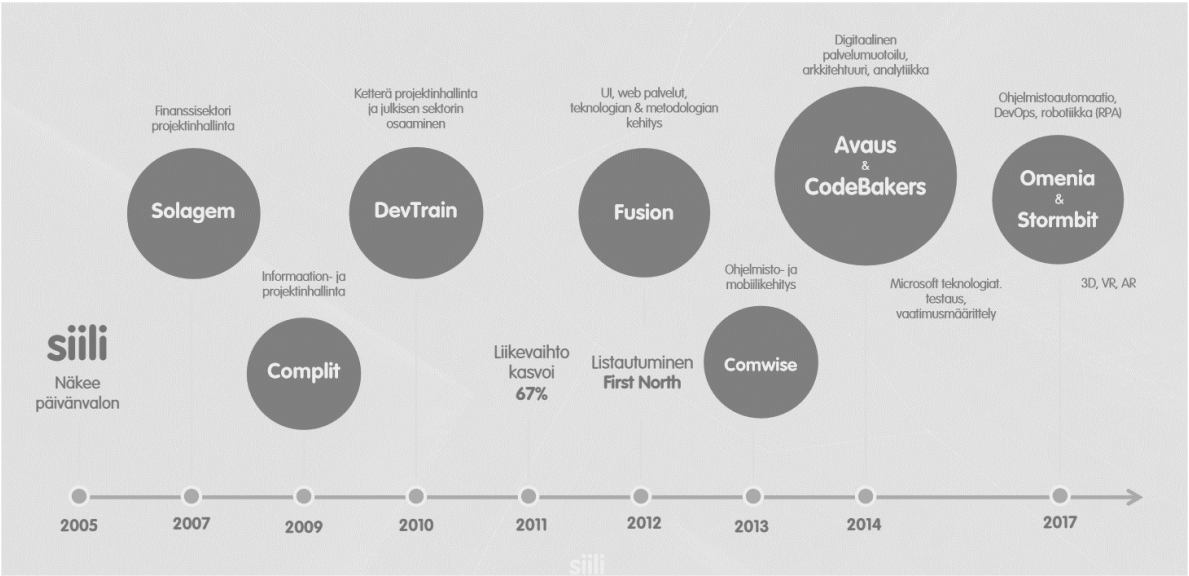

Figure 1. Acquisition history (Siili management presentation)

1.2 Research problem and objectives

In order to analyze a source of competitive advantage, Michael Porter suggests looking at a company value chain (Porter 1998.). Value chain is a set of activities that a company performs to design, produce, sell, and maintain its products. The generic value chain by Porter can be seen on figure 2.

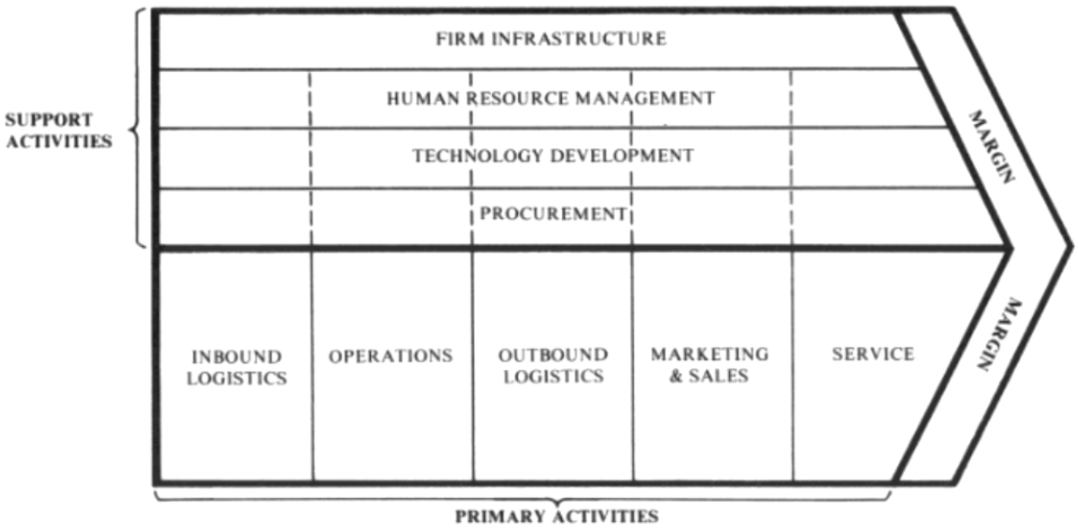

Figure 2. The generic value chain (Porter 1998)

For Siili, the main difference from Porter's value chain is that consulting company first sells and then delivers, not the other way around. Procurement for a consulting company means hiring. One of the competitive advantage of Siili is a capability to combine people and their knowledge in different fields to perfectly match the problem that needs to be solved for an individual customer, that is why I brought "compiling a team of experts" as a separate important link of the value chain. Siili's main asset is its people. Siili's value chain can be presented as follows, on figure 3:

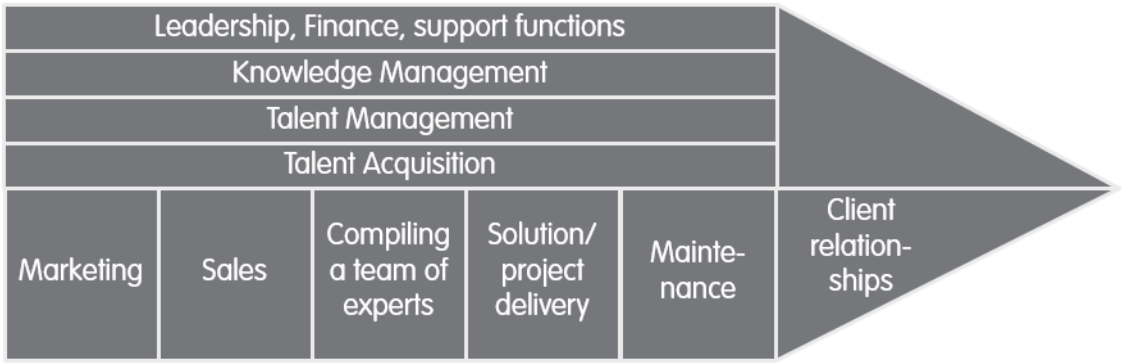

Figure 3. Siili's value chain as seen by author of this study

The size of Siili's main market in Finland, IT and services, is about 2,5 bln € and the distribution between new digital services and legacy systems is around 20 to 80 currently. Siili is mostly offering its services in the market of new digital services which is predicted to be grown from 20% to 50% out of the total IT and services market. The current and predicted sizes of IT market in Finland are summarized on figure 4.

Figure 4. Size of IT market in Finland (Siili Solutions Plc 2017a.)

The market size and thus the demand is so big that one can say there is no real competition between the IT vendors anymore. Nevertheless, there is a competition on the market and this is a competition for the talents. One of Siili's goals is to achieve 1000 people by 2020 and even that it has been quite steadily growing do far, it is becoming more and more difficult to attract new people.

To be able to answer the market demand in terms of skills, Siili is applying the approach of dynamic capabilities building for its competence management including talent acquisition. Willing to open a new market of talents, Siili has been considering expanding its operations into other countries and one of the alternatives is Bulgaria. Siili has been working with several partners in Bulgaria, and at the same time has employees with origins from Bulgaria who know the country and the culture. This initiative came from the employees working closely with Bulgarian partners. This study can bring a structured approach to the original initiative and assess risks and benefits of the Foreign Direct Investment (FDI) and Bulgarian IT labor markets.

Two main propositions have been formulated for this research study. 1) Building "competence management" dynamic capabilities can be done in a form of a resource-seeking Foreign Direct Investment. 2) Determinant metrics in a resource-seeking FDI decision are different from the overall (macroeconomics) level metrics.

So, the main research question is: What metrics are determinant when a multinational corporation (MNC) is expanding its operations to a new location in order to get assets for competence management? The main research question will be validated with a case country, Bulgaria, which will be accessed using the metrics checklist.

1.3 Implementation and thesis structure

Thesis is logically broken into 5 parts. The first part is introductory, gives an overview of Siili Solutions and sets the research questions. The second part explains the theoretical framework and gives an introduction into the theories used as a preparation and as a basis for this research work. The third part opens up the research approach including research method and data collection and analysis approaches. The fourth part describes the practical part which was done including secondary research and interviews data. The fifth part discusses the findings and personal path when writing the thesis.

2 Theoretical framework

In this study, a resource-seeking foreign direct investment is considered as a way to build competence management as a dynamic capability. So, this chapter introduces the main relevant theoretical concepts and definitions.

2.1 Competence management

The essence of competence management (Lindgren, Henfridsson and Schultze 2004) is in identification of organisation's competence needs, in finding the gaps between the current and the target competences, and in competence sourcing and development to staff the projects. The first two activities are handled on a strategical level and the later are part of operational management by Human Resources.

Competence is 'a demonstrated ability to apply knowledge, skills, and attitudes for achieving observable results' according to European Committee for Standardization (Niemi, Laine 2016). In Siili, competence is conceptually modelled as a combination of skills, knowledge and attitudes, as seen on figure 5. So, one needs to know something, to be able to do something and want to do it in order to be competent in a specified area.

Knowledge in this context is closer to what Nonaka and Takeuchi (Nonaka & Takeuchi 1995) refer to as "tacit" knowledge – not quantifiable data like words and numbers but crafts in the form of know-how which is coming with years of experience, is hard to formalize and articulate. One definition of a skill is an ability or proficiency at a task that is normally acquired through education, training and/or experience (Tether, Mina, Consoli, Gagliardi 2005). Attitude can be defined as 'a relatively enduring organization of beliefs around an object or situation predisposing one to respond in some preferential manner' (Rokeach 1968).

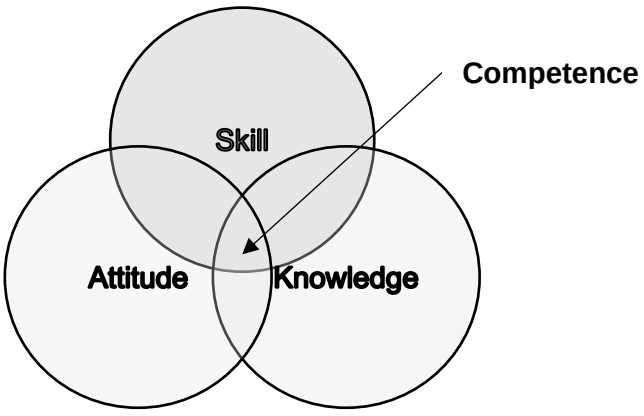

Figure 5. Conceptual model of Competence in Siili

Conceptual model can be illustrated by an example of a C++ developer as following:

- Example of skill: C++ programming
- Example of knowledge: how to use C++ to solve a problem as a software solution
- Example of attitude: want to understand a problem area and to behave accordingly to solve the problem with people

As for a knowledge intensive project organisation (KIPO), it is important for Siili to understand the current and future needs of customers and provide them with the right experts at the right time (Niemi, Laine 2016). Based on studies (Pekkola, Niemi, Rossi, Ruskamo, and Salmimaa 2013), Porter's market-based view on strategy is now challenged by a resource-based view, meaning that KIPO type of companies' strategy is shifted from external market to internal resources and capabilities. Resource-based view is a model (Rothaermel 2012) that see firm's resources as a primary key to its performance.

As shown in Siili's value chain in Chapter 1, building a team of experts means matching a customer's demand at the time with the correct competences. Thus, Siili need to constantly predict and manage its internally available competence pool to stay competitive. So, competence management can be seen as one of the core processes for a knowledge-intensive project organisation in a dynamic business environment.

2.2 Dynamic capabilities

One of the fundamental questions in the field of strategy is how a firm can sustain its competitive advantage (Teece, Pisano, Shuen 1997). Dynamic capabilities framework tries to answer the question how certain firms can build competitive advantage in the rapidly changing environments. Firm-level capabilities can fall into 2 interdependent capabilities: ordinary and dynamic (Teece 2017). Ordinary capabilities are mainly operational, i.e. doing the things right and dynamic are more strategical, i.e. doing the right things.

Dynamic capabilities are defined as the firm's ability to integrate, build, and recognise internal and external competences to address rapidly changing environments (Teece et al 1997). Teece is saying that corporate agility is what matters for business: ability to sense and identify opportunities, to seize the opportunities by refining business model, and ability to transform by realigning and gaining capabilities.

According to Teece et al, the term 'dynamic' emphasizes the need of the capacity to renew competences to adapt to the changing environment. The term 'capabilities' makes a

point of the ability to adapt and reconfigure organizational skills, competences and resources. There are 4 possible ways (Teece et al. 1997) of building dynamic capabilities: learning, new assets, transformation of existing assets, co-specialization.

Learning refers to organizational learning and transformation, requiring employees to recognize dysfunctional patterns of interactions and to improve. Learning can also be achieved by collaboration or partnerships. New assets are referring to integration of the external resources like merging and acquisition. Transformation is an ability to reconfigure firm's assets to succeed in changing market. This can be achieved by decentralization or strategic alliances. Co-specialization can be developed over time when a combination of assets gives a better competitive advantage than individual utilization.

2.3 Foreign Direct Investment

Foreign direct investment (FDI) is an investment made by a company or individual in one country in business interests in another country, in the form of either establishing business operations or acquiring business assets in the other country, such as ownership or controlling interest in a foreign company (Investopedia. FDI 2018).

FDIs can be classified from 2 perspectives (Moosa 2002): from the investor perspective (source country) and from the host perspective (target country). From the investor perspective, FDIs can be separated into (Caves 1971): horizontal FDI, vertical FDI, and conglomerate FDI. Horizontal FDI is usually undertaken with the purpose to expand the production of the similar goods but in another country. Vertical FDI is usually undertaken with a goal of either utilizing raw materials form the target country, also known as backward vertical FDI, or for finding itself nearer to end consumers, e.g. by acquiring a distribution channel, also known as forward vertical FDI. Conglomerate FDIs involve both vertical and horizontal FDI.

There are no commonly accepted theory explaining FDI, but according to Moosa (Moosa 2002), there are four categories of theories which tried to explain FDI:

- Theories assuming perfect markets
- Theories assuming imperfect markets
- Other theories
- Theories based on other variables

There are also theories that explain the entry modes (Moosa 2002): the choice among exports, licensing, franchising, subcontracting, M&A, greenfield FDI, and joint ventures.

2.3.1 Theories assuming perfect market

Perfect market is a hypothetical market characterised by large number of buyers and sellers in the presence of perfect knowledge (Vyas, Giri 2016a). Theories assuming perfect market exist in a form of 3 hypotheses (Agarwal 1980):

- the differential rates of return hypothesis
- the portfolio diversification hypothesis
- the market size hypothesis.

The differential rate of return hypothesis explains the existence of FDI as an attempt to seek for higher return rates abroad. This behavior was observed in 1950s when American corporations were investing in Europe (Agarwal 1980).

Portfolio diversification approach suggests that MNCs are not only concerned with return rates but also with risks involved. So, in order to balance risks, MNCs are investing abroad diversifying investment portfolio (Agarwal 1980).

The market size hypothesis states that the larger the market, the more efficient resource utilization investor can expect which leads to lower costs due to higher scales of economy. Indeed, Agarwal in his survey (Agarwal 1980) found that size of the market was one of the determinant factors in attracting the FDI.

2.3.2 Other theories

Other theories include (Moosa 2002):

- the internal financing hypothesis
- the currency areas hypothesis and the effect of the exchange rate
- the hypothesis of diversification with barriers to international capital flows
- the Kojima hypothesis

Internal financing hypothesis explains FDI as a re-investment of the profit into the host country. Hypothesis states that initial FDI can start as a modest investment and then growth with the profit generated by the subsidiary in the host country. This hypothesis is valid for FDI into developing countries (Moosa 2002).

The currency area hypothesis states that firms with strong currency tend to invest into countries with weak currency (Moosa 2002). The hypothesis of diversification with barriers to international capital flows assumes the condition where the costs associated with FDI are lower than the costs associated with portfolio flows due to some existing barriers, and there are diversification opportunities in the MNC which are otherwise not available (Moosa 2002). According to Moosa (Moosa 2002), Kojima views a FDI as a mean of transferring capital, managerial skills and technology from the source to the host country.

2.3.3 Theories based on other variables

Moosa sees the following theories based on other variables (Moosa 2002):

- political risk and country risk
- tax policy
- trade barriers
- government regulations
- strategic and long-term factors

2.3.4 Theories assuming imperfect markets

Imperfect market is characterized by information asymmetry, government intervention, barriers to entry and exit of firms and differentiated products (Vyas, Giri 2016a). Theories assuming imperfect markets are (Agarwal 1980):

- the industrial organisational hypothesis
- the internalization hypothesis
- the location hypothesis
- the eclectic theory
- the product lifecycle hypothesis
- the oligopolistic reactions hypothesis

Industrial organisation hypothesis assumes (Moosa 2002) that when foreign companies enter the market, they face unequal conditions compared to local entities, as language, regulations, etc. Nevertheless, those companies have their competitive advantage in the technology, brand or other knowhow which helps them to overcome disadvantages (Moosa 2002).

The internalisation theory explains the need of FDI for backward and forward vertical investment. An output of one link can be used as an input of another link in the product chain (Moosa 2002).

The product lifecycle theory of Vernon explains the need for FDI when a previously innovative product in the investor's country matures and moves to a phase where it is cheaper to produce it in the country with lower labor costs and export back to investor's country rather than continue production as on the innovation phase (Moosa 2002).

The oligopolistic reactions hypothesis also known as 'follow the leader' behaviour explains FDI as a desire of some firms to match the behaviour of its competitors and invest into the same economy (Moosa 2002).

Dunning's Eclectic Paradigm also known as OLI model or OLI framework provides a process to determine an organization's strategy regarding the expansion of its operations

through foreign direct investments (Investopedia. Eclectic Paradigm 2017). Dunning paradigm is talking about three conditions (Ownership, Location, Internalisation) which need to be satisfied in order to the company make a foreign direct investment. Ownership and Internalisation advantages are company specific and location is a target country specific advantage. Decision making process and factors resulting in the best form of market entry are shown on figure 6.

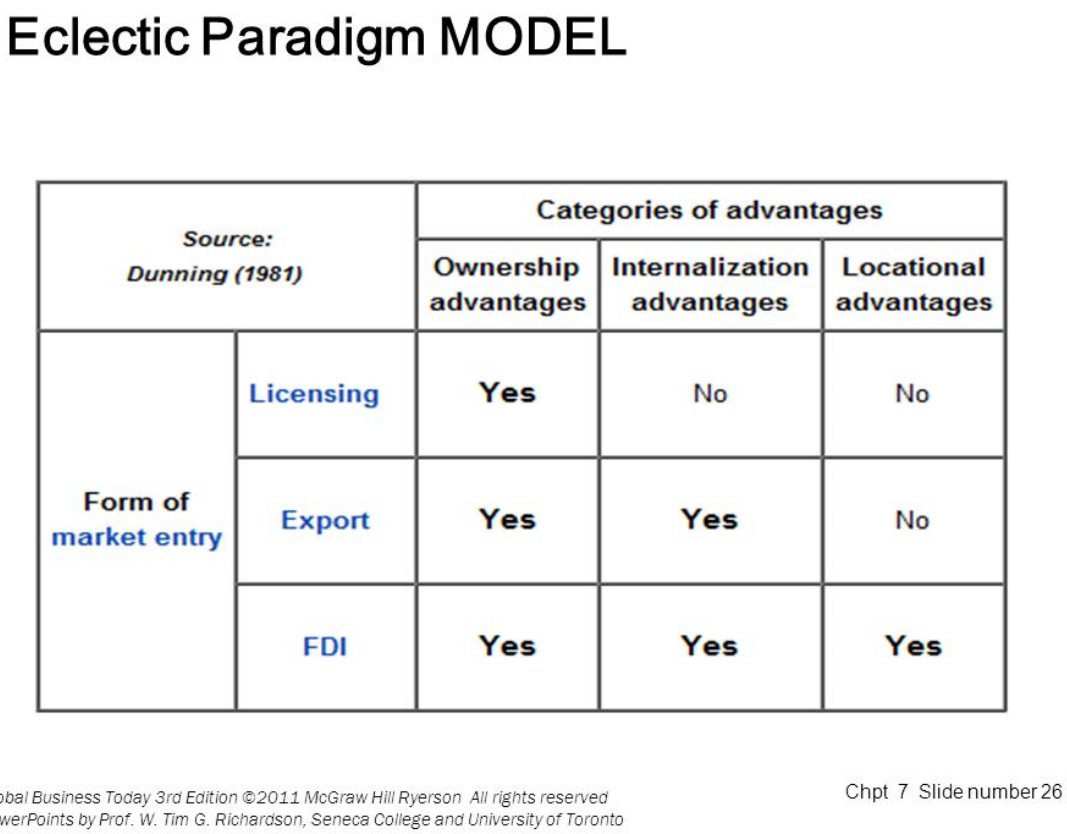

Figure 6. Eclectic Paradigm Model (Richardson)

Dunning recognises four main types of foreign based MNE activity: market-seeking FDI, efficiency-seeking FDI, resource-seeking FDI and strategic asset-seeking FDI.

2.3.5 The natural resource seekers

Firms are investing abroad in order to acquire specific high-quality resources at a lower cost with a motivation to make the firm more competitive in the markets it serves (Dunning and Lundan 2008). There are 3 types of resource-seeking FDI – FDIs seeking raw resources like fossil fuels, FDIs seeking unskilled cheap labor, and FDIs seeking technological capability or organisational skills.

The context for this research paper is a skilled resource seeking FDI which builds on top of location advantages in order to gain new assets for building “competence management” dynamic capabilities. But research argues that the success of the resource-seeking FDI depends on a different set of metrics in terms of the location advantages than acknowledged macroeconomics related metrics.

2.4 Balanced scorecard

Balanced scorecard (Kaplan and Norton 1992) is a strategic management tool which among other characteristics is known for presenting the financial and non-financial data and focus on the small amount of key strategic metrics. The four perspectives also shown on figure 7 help understanding the key areas which organisation want to follow in order to achieve its vision and execute its strategy. When developing determinant metrics for a resource-seeking FDI, the following questions have been though through:

- customer perspective: to achieve our vision, how should we appear to our customers?
- learning and growth perspective: to achieve our vision, how will we sustain our ability to change and improve?
- internal business process perspective: to satisfy our shareholders and customers, what business processes must we excel at?
- financial perspective: to succeed financially, how should we appear to our shareholders?

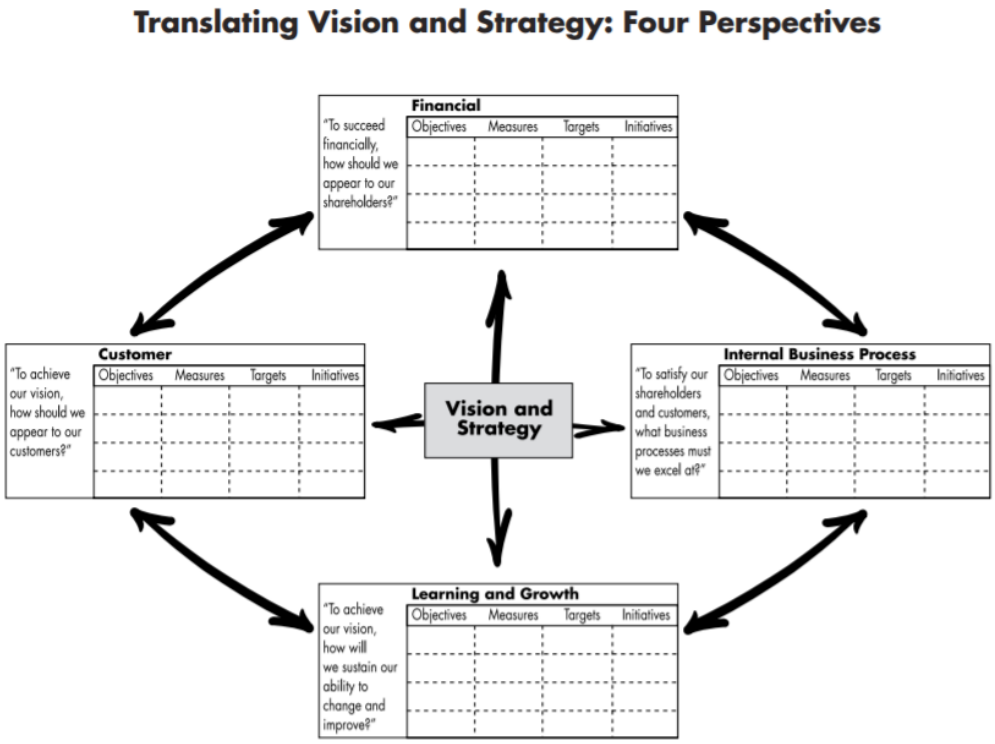

Figure 7. Translating Vision and Strategy: Four Perspectives (Kaplan, Norton 2007)

In this study, a balanced scorecard is not going to be used for its original purpose of strategy or operations management, but has been utilised in order to get a more balanced view on the metrics. It recognises 4 perspectives: financial, customer, internal business processes, learning and growth.

3 Research methodology

This chapter introduces research methodology used in this study, i.e. the research approach, the process of collecting data and the analysis of it. Different layers of the research approach can be structured with the use of the research “onion” defined by Sanders, Lewis and Thornhill (20015). Visual representation of the research onion can be seen on figure 8.

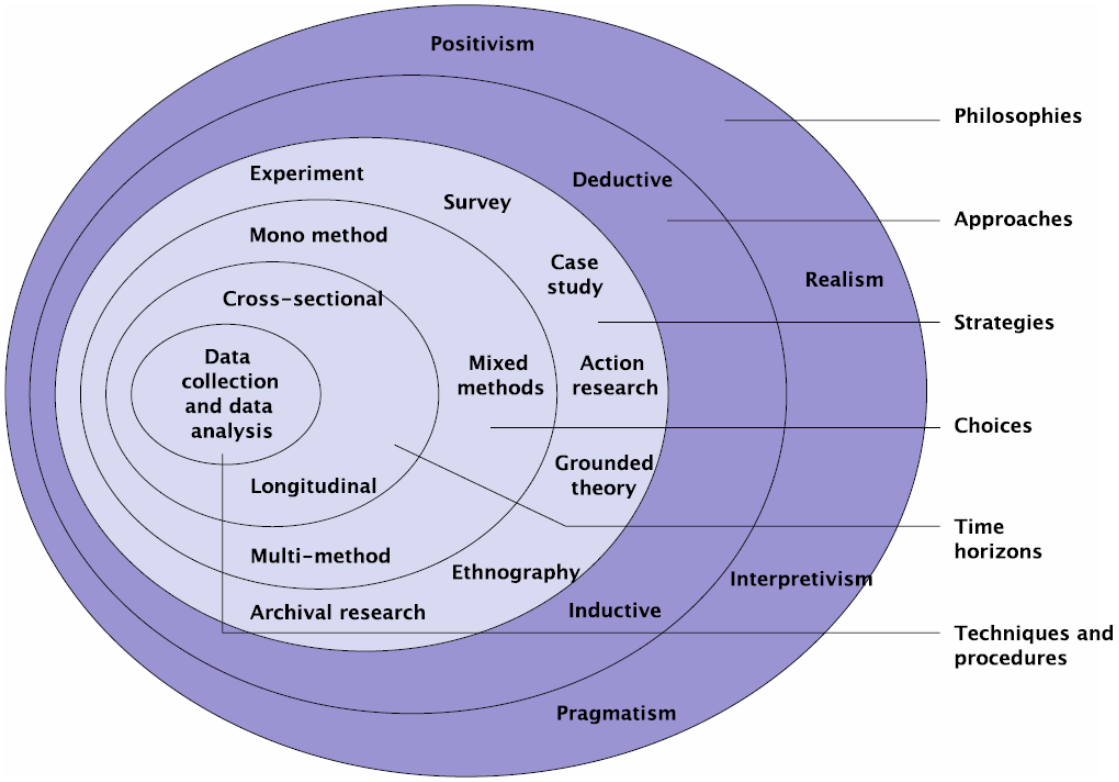

Figure 8. The research “onion” (Saunders et al 2015)

3.1 Research philosophy and approach

Ontology and epistemology are the ways to view research philosophy. Ontology is a branch of philosophy concerned with assumptions about the nature of reality or being (Saunders et al 2015). Epistemology is a branch of philosophy concerned with assumptions about knowledge, what constitutes acceptable, valid and legitimate knowledge, and how we can communicate knowledge to others (Saunders et al 2015). Simply put, the main question of ontology is weather the world around us is objective or subjective, and epistemology asks how can we know what is and what is not knowledge.

The author of this study has adopted the subjectivism views and more concretely - pragmatism research philosophy (Research Methodology 2017), and more than one research

approach and research strategy was used. Both deductive and inductive approaches are utilized – forming propositions first before defining the main research questions but also relying on existing analysis articles and global indexes with own research methodology to revise the theoretically constructed metrics list. Mixed-model research is chosen where qualitative data from interviews and quantitative data from existing statistics sources are combined for the country assessment.

Thinking of the FDI theory in general, author adheres the views of pragmatic nationalists who are not against FDI as radicals and not pro FDI as liberals, but resist FDI only if costs overweight benefits (Siddique 2007, 16).

3.2 Research method and design

This R&D study is a constructive research (Kasanen, Lukka & Siitonen 1993), the aim of which is to solve a managerial problem by an insider. Research consists of understanding the problem, developing a solution, connecting relevant theories to the problem solution, collecting feedback from the solution. The main deliverable of this research is a checklist with metrics which should be considered when company is making a Go/No-Go decision about starting its operations in a new country. This checklist would also be used in the future when considering expansion to other countries. In relation to Bulgaria, this research assesses the chosen metrics by desk research using available statistics, relevant global indexes and interviews of Siili employees who are involved in co-operation with Bulgarian partners. The final checklist together with the assessment has been presented on Siili management group meeting on 19.10.2017 by Chief Development Officer, who is the internal supervisor of this work.

In order to answer the research questions, exploratory research design (Research Methodology 2017) with an aim to generate insights about the situation is used. Data collection is flexible and data analysis is mostly informal. As for the time-horizons, there is no long-time perspective about the data collected, it is only a snap-shot at the given moment of study, so the cross-sectional time horizon is applied.

3.3 Data collection

Main method of data collection is individual interviews with medium-size group of people to explore their views on the research questions, improve theoretically created metrics, and collect insights for the metrics assessment. Interviews are semi-structured, there is a

list of questions prepared before the interview and initial questions are the same for each interviewer, but when the unforeseen issues arise, additional questions have been asked.

Work is mainly based on qualitative research – with Siili representatives, Chief Development Office, Chief Finance Officer, chief Executive Officer, Siili employees currently cooperating with Siili's Bulgarian partners. There are two rounds of interviews, one for the initial problem and deeper inside analysis and second – for the feedback gathering.
As the research has 2 questions, from the first round of interview, the ideas are collected of what is determinant when expanding operations and also the insights in regard of the chosen metrics. The first version of the metrics list has been ready before the interviews start. At the interview, participants are first asked to think of the determinant metrics for expansion, and then been shown the existing list and asked to comment if anything else is missing. After the metrics are clear, interviewees are asked to assess each metric based on their working experience with Bulgarian citizens.

Partly, data for this research is based on secondary sources, research done by others. Existing articles, statistical information, global indexes, and sources like export.gov where international experts are sharing their analysis of other countries are used. This, mainly quantitative, data is mainly used to make an assessment based on the developed metrics.

Interviews are not recorded because recording could have an impact on the setting and sensitive topics assessments especially in case of negative comments. However, notes are taken throughout the interview. After the interviews, notes are converted into bullet points in the power point slide deck which is introducing the metrics and opening up the metrics' assessment. The analysis of each assessed metric includes data grounds from both quantitative and qualitative sources.

After the decision about the expansion has been made, a second round of confirmative interviews is run with different participants. The main objective of this round is to understand if the list of metrics and the assessment provided enough of knowledge for a decision. These interviews are not recorded either but notes are taken on paper.

People and roles for the interviews about the determinant metrics and their assessment:

- Coordinator of the current cooperation with Bulgaria, 2 persons
- Project managers with Bulgarian partners in project team, 2 persons
- Siili employee with Bulgarian origins, 2 persons

People and roles for the interviews for the final feedback:

- Chief development officer
- Chief financial officer
- Chief executive officer

3.4 Data analysis

As per the suggestion of Research Methodology (2018), qualitative data analysis can be done in 3 steps. First step is developing and applying codes. This would require choosing short phrases or words representing some theme. In the case of this study, initial metrics themselves can be the codes plus the balance scorecard perspectives' names – customer, learning, financial and internal.

Second step is identifying themes, patterns, relationships. This step requires analytical thinking application. One of the used technique is comparing the data from the interviews with the publicly available secondary data.

Third step is summarizing the data by linking the research findings to the research proposition and questions. The results of the interviews, secondary data research and analysis are summarized into a powerpoint bullet lists. The analysis and the final list is presented for validation to another group of interviewers which includes company executives after the Go/No-Go decision is made.

3.5 Validity and reliability

Validity and reliability of the qualitative research is often the question in the research works. Reliability measures in the research ensure that the results can be replicated with the same research operation, like interviews in this case. Validity measures ensure that there was no bias in measurements from the researcher's views.

The following methods to ensure the validity and reliability are utilised during the research and in the results discussion (Johnson 1997):

- Reflexivity. Reflect regularly to understand personal potential biases or predispositions;
- Negative case sampling. Try to find cases and data which disprove personally expected outcome;
- Participant feedback. Paraphrase and check regularly during the interviews if meaning of the other's sayings had been understood correctly by researcher.
- Triangulation. Identify several theories which explain the study topic in order to gain more insights, or find other research work about the topic to gain additional points of view. Triangulation is also achieved by using different research methods – interviews and secondary research with multiple data sources in this case.
- Peer review. Discuss findings with colleagues before making conclusions.

Transferability of the results can be seen in the re-use of the list, metrics are applicable for other countries that Siili would is achieved by describing how interviews were done, where they took place and how long they’ve lasted.

4 Determinant metrics identification and validation

This chapter describes the practical part of the study starting from the development task, explaining the empirical path towards the list of metrics, and summarizing the feedback received after the checklist application to a real use case.

4.1 Research target and development task

Siili and Siili's CTO in particular have been approached with an idea of opening a new site in Bulgaria. There have been several alternatives of the expansion considering Siili's long-term relationships with several partners there. The presented alternatives have been describing several options such as own company, partnership, or franchising. Nevertheless, management team wanted to take one step back and evaluate the country itself as a destination for the new site before jumping in the expansion solution. This is how a new development task for the author of this study has been born. The target of this research is to produce a checklist with the determinant metrics that a potential country need to be assessed against, which is then used as a basis for a Go/No-Go decision. In this study, a Bulgaria expansion case has been used to evaluate the developed checklist in real life.

4.2 Checklist of metrics for a resource-seeking FDI

The A. T. Kearney Foreign Direct Investment Confidence Index® which lists FDI attractiveness criteria has been taken as a starting point. A.T. Kearney is a strategic management consulting firm which prepares an annual survey since 2004 describing the Foreign Direct Investment attractiveness of different countries based on regulatory, political, and economical factors (A.T. Kearney Foreign Direct Investment Confidence Index®. Previous Indices). To start from, the full list of metrics has been assessed, also seen on figure 9, and the ones relevant for the resource-seeking FDI have been chosen.

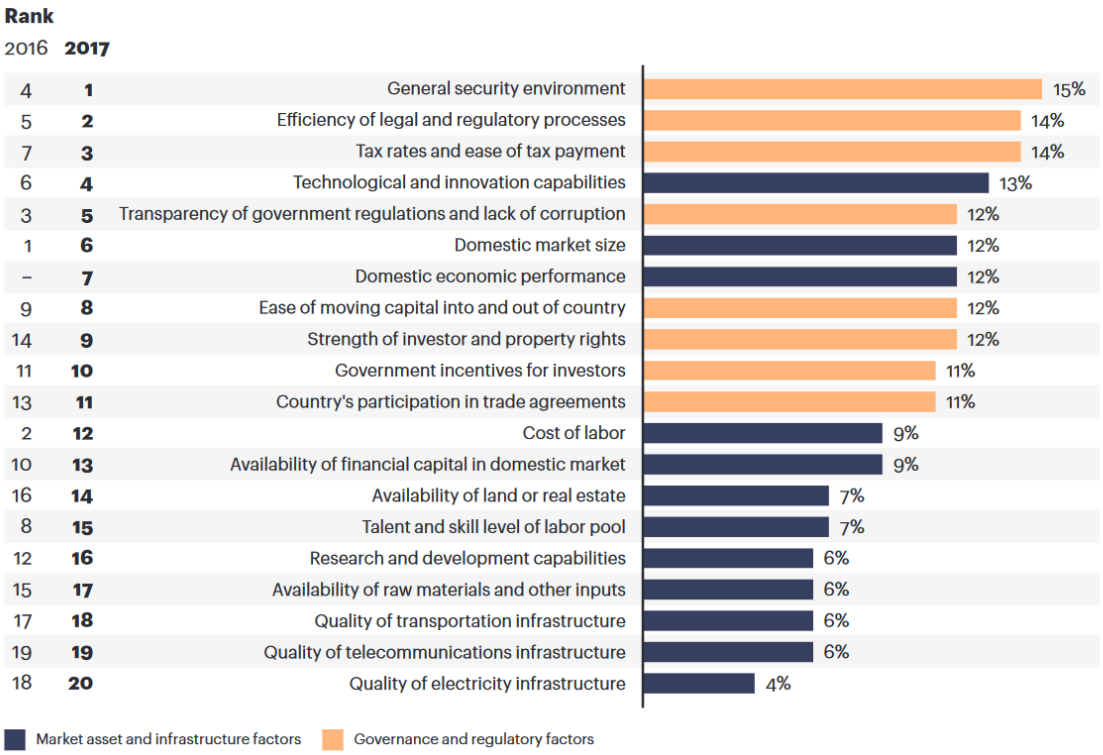

Figure 9. 2017 A.T. Kearney FDI Confidence Index (The 2017 A.T. Kearney Foreign Direct Investment Confidence Index)

There were 20 metrics which have been considered the determinant ones for a foreign direct investment. But as the current research has been discussing about resource-seeking direct investment, the proposition made has been such that determinant metrics change their focus and thus could differ from the general ones. Considering Siili's field of operations in IT market, Siili would have been seeking for highly-skilled high-moral labor forces, who would have been working in an R&D field. In order to perform every-day operations, people would have needed stable electricity and internet connections. Cost of labor has been considered an important factor too, as according to Siili's CEO Seppo Kuula opinion in December 2017, Finnish IT labor costs have not been competitive anymore e.g. on automotive market which Siili has been trying to get deeper into. Table 2 shows the metrics which have been chosen as mostly relevant for a resource-seeking FDI in IT market based on the reasonings above.

Table 2. The metrics relevant for a resource-seeking FDI in IT market

Rank number	Is metric relevant
1	
2	
3	X
4	X
5	

6	
7	
8	
9	
10	
11	
12	X
13	
14	
15	X
16	X
17	
18	
19	X
20	X

The next step has been to obtain additional angles to the list of a resource-seeking FDI determinant metrics and to bring more balance to it. The balanced scorecard has been prescribing 4 perspectives: financial, customer, internal business processes, learning and growth. So, every metric chosen so far has been further classified into one of the 4 factors. Table 3 shows the classification of the chosen metrics into the balanced scorecard perspectives.

Table 3. The metrics relevant for a resource-seeking FDI in IT market classified according to balanced scorecard perspectives

Rank number	**Rank**	**Balanced scorecard perspective**
3	Tax rates and ease of tax payment	Finance
4	Technological and innovation capabilities	Learning and Growth
12	Cost of labor	Finance
15	Talent and skill level of labor pool	Learning and Growth
16	Research and development capabilities	Learning and Growth
19	Quality of telecommunication infrastructure	Internal
20	Quality of electricity infrastructure	Internal

It has been becoming clearly visible that the initial list has been lacking customer perspective, which has been an important point for Siili as everything Siili does has been targeted

for the value of the customer. According to personal experience and Siili's project managers' opinions, when talking about outsourcing the work or performing team work in several geo-locations, customers have been mostly concerned about long-term commitment of remote workers. Work ethics and ability to work independently in the team where Project Manager was in a different site than its team members have also been important factors. Time zone difference has also been playing important role in customer communications especially in the scenarios where project team has consisted of both customer and Siili members. So, the initial metrics for the Customer perspective of the checklist could have contained:

- Work ethics
- Ability to work independently
- Time-zone difference
- Long-term commitment

From the financial perspective, tax rates and labor costs factors have been covered so far. As this study has been concerned about IT sector talent, there has been a need to understand the ratio of the average salary in the country versus IT qualified specialist salary additionally to the labor cost factor. Considering that FDI location could have been found outside of Euro zone, it seemed relevant to take exchange rate stability and control practices into consideration. So, the initial metrics for the Financial perspective of the checklist could have contained:

- Cost of labor
- IT qualified specialist salary vs average salary
- Taxation
- Exchange rate stability, foreign exchange control

From the perspective of internal operations, quality of internet connection and reliability of electricity infrastructure have been seen very relevant as the every-day job of an R&D person in IT market mainly has been involving working with a computer plugged to a world wide web. From the talent management perspective, it seemed relevant to consider the complexity of hiring and layoff processes and the culture of operations, i.e. has there been a need for a local agent. So, the initial metrics for the Internal perspective of the checklist could have contained:

- Quality of internet connection
- Reliability of electricity infrastructure
- Hiring and layoff processes complexity
- Culture of operations (local agent need)

From the learning and growth perspective, size of the possible IT talent pool and the general level of technical and innovation capabilities in the country, this could have been measured for example by examining the availability and spread of IT education programmes in the country and by understanding the amount of the IT graduates per year.

Overall productivity and effectiveness of labor seemed like the relevant factors for company growth, this would have included for example the amount of working hours per day, public health, etc. English language skills have been seen as important for the overall growth otherwise communication via a local representative may become a bottleneck. In order to ensure learning and culture spread, frequent travelling to one common site should have been easy, so location proximity and ease of travelling have been identified as another important factor. So, the initial metrics for the Learning and Growth perspective of the checklist could have contained:

- Size of available future talent pool
- English language skill
- Productivity and effectiveness of labor
- Proximity and ease of travelling

The initial checklist of metrics for resource-seeking FDI compiled based on the reasonings in the previous paragraphs, which has been used at the entry for the first interview round, is presented on figure 10.

Figure 10. Initial checklist of determinant metrics for a resource-seeking FDI

4.3 Assessment of Bulgaria based on the determinant metrics checklist

The initial checklist has been serving as an entry to the first round of interviews. First round of interviews has had two purposes:

- Collect feedback about the comprehensiveness of the metrics
- Assess Bulgaria as a potential FDI location based on the chosen metrics

Before assessing the potential location with the interviewers, an assessment based on the available data from open sources has been made. The following interview questions have been asked during the first round of assessment:

1. What do you think about the Siili intention to start operations in Bulgaria?
2. How do you think it is going to help with finding new talents?
3. What in your opinion is the most determinant factor when considering a new country for operations?
4. Here are some metrics, do you see if anything is missing for a new country evaluation?
5. Help me assess each metric or at least the ones you feel comfortable with?

In September - October 2017, five interviews have been carried on. Interviews have been conducted individually and face to face in Siili HQ, each interview has lasted 30 minutes on average, as seen from table 4. Interview main points have been documented on paper as personal notes. Interview questions can also be found in appendix 2.

Table 4: Summary of the first round of assessment.

Participant	**Method**	**Length**	**Where**
Participant 1	Individual interview	40	Siili HQ
Participant 2	Individual interview	25	Siili HQ
Participant 3	Individual interview	30	Siili HQ
Participant 4	Individual interview	35	Siili HQ
Participant 5	Individual interview	30	Siili HQ

Tables below are summarizing the assessment of the metrics checklist in relation to Bulgaria based on both secondary data and interviews results. Assessment of the learning and growth can be found from table 5, assessment of the customers metrics in relation to Bulgaria is summarized in table 6. Internal metrics in relation to Bulgaria are assessed and summarized in table 7, and assessment of the Financial metrics is found in table 8.

The most important factor for the talent-seeking location, the size of the available future talent pool, could have been evaluated by understanding the education level and the amount of graduates each year. Based on the GoalEurope report (GoalEurope 2016), Bulgarian national technical universities have been accepting around 3,500 students a year and around 2,000 out of those have been graduating in 4 years. At the same time, based on the same report, the IT business need would have been for up to 6,000 qualified specialists a year. The quality of math and science education has been ranked as 82 out of 142 countries (The Global Competitiveness Report 2011-2012).

Statistics have been showing (Eurostat 2014) that 90.7% of pupils learn English in upper secondary school and additionally 34,3% of pupils learn German. English has been an official language in Siili and German would have been a good asset as a second European language as Siili has an office and local customers in Berlin.

According to labor law (Labour law in Bulgaria 2014), working day in Bulgaria has been 8 hours a day or 40 hours a week. Health has been presumably one of the important factors in effectiveness of labor. The Global Competitiveness Report 2011-2012 has been giving high score of 6.6 out of 7 to the health factor ranking Bulgaria as 58 out of 142. Nevertheless, inadequately educated workforce has been named, by the same report, as one of the top 16 problems for doing business in Bulgaria.

Table 5: Assessment of the Learning and Growth metrics in relation to Bulgaria

Assessment	**Source**
Size of available future talent pool	
National technical universities accept around 3,500 students, and 2,000 receive a degree four years later	GoalEurope 2016
The Bulgarian IT business has calculated that they need an annual output of around 6,000 qualified IT specialists	GoalEurope 2016
Quality of math and science education sore 3.8 out of 7 (rank 82 in the world)	The Global Competitiveness Report 2011-2012
Language skills	
90.7% of pupils learn English in upper secondary school	Eurostat 2014
34.3% of pupils learn German in upper secondary school	Eurostat 2014
Productivity and effectiveness of labor	
8 working hours per day, 40h/week.	Labour law in Bulgaria 2014
Health score 6.6 out 7 (rank 58 in the world)	The Global Competitiveness Report 2011-2012
Inadequately educated workforce is in the 16 most problematic factors for doing business in Bulgaria	The Global Competitiveness Report 2011-2012

Customer metrics has been including the factors that are important to consider for doing successful projects for customers based on Siili values like co-creation and transparency. The Global Competitiveness Report 2011-2012 has been naming the poor work ethics in national labor force as one of the most 16 problematic factors for doing business in Bulgaria. Nevertheless, interview results with Siili project managers have been showing that

the partners' selected talents have been highly motivated with great work ethics and outstanding skills.

One of the important factors for culture fit and for fit into the Siili's business model – selling projects – has been the ability to work independently on the project, without constant supervision. According to interview's results, Balkan culture has been seen as quite different from Nordic culture. It has been common in Balkan culture to rely on management, not to be initiative but wait for instructions and decision, not bringing problems and difficulties forward. Nevertheless, the experience from Siili's partners has been positive also regarding the culture changes, it has seemed that in the blended projects, it has been quite easy to turn these difficulties around and start sharing the same approach, common to Finnish culture.

For the co-creation type of work with the customers that Siili has been promoting, time difference and proximity has been making a lot of difference. Bulgaria is in the same time zone (Time and Date 2018) but there have been no direct flights to Helsinki, Siili HQ. Travelling from Helsinki to Sofia is taking 6-8 hours on average according to one of the flights search engine (Search and compare flights 2018).

According to interviews, one of the important factors for Siili' customers has been a long-term commitment. Customers would have liked to see the same people on the same roles for a long term to make sure knowledge and skills continuity has been ensured in the project delivery and maintenance. Based on the interviews with Siili employees with Bulgarian origins, Bulgarians have not been very well known for their loyalty to employee, but this factor has been difficult to assess objectively.

Table 6: Assessment of the Customers metrics in relation to Bulgaria

Assessment	**Source**
Work ethics	
Poor work ethic in national labor force is in the 16 most problematic factors for doing business in Bulgaria	The Global Competitiveness Report 2011-2012
Talents picked for Siili: Skillful, motivated, hard-working with high work ethics	Siili project managers, interview
% of blend in project teams -> ability to work independently / take accountability for full project delivery	
Balkan working culture is different from Nordic: relying on management and its decision making, not taking responsibility, hiding problems. But this attitude was quite easy to change in blended projects.	Siili employee, interview

Time zone difference	
No time difference	Time and Date 2018
Proximity and ease of travelling (direct flights)	
No direct flights, travelling time from Helsinki 6-8h on average	Search and compare flights 2018
Long-term commitment	
Customers prefer seeing internal employees on key roles to ensure knowledge retain within the long-term project team	Source: Siili project managers

Internal metrics have been including factors that have been important for Siili's internal processes and capabilities. As an IT company, Siili had been needing to make sure new location has had high speed internet and reliable electricity infrastructure. According to the Sofia Globe 2017, the average speed of internet connection in Bulgaria has been quite fast, but the electricity supply infrastructure has been poor (The Global Competitiveness Report 2011-2012). Based on the discussion with Siili's employees, it has seemed that electricity blackouts have not been a significant problem in the capital area but those have been happening quite frequently in other cities.

Mobile communication penetration has not been seen as the important factor as such but has been added to the list after one of the interviews. Mobile development projects have always been making quite a significant part of Siili's projects' portfolio and the level of the usage of smartphones in the country could have served as an index of how well the end users challenges could have been understood by the employees of the potential location. According to Eurostat (Eurostat 2016 and Eurostat 2018), mobile penetration has been quite good and significant amount of population have been using their smartphones to access internet.

Hiring and layoff have been seen as important processes to understand in order to assess a new location. Hiring and layoff practices in Bulgaria have been assessed to be quite flexible (The Global Competitiveness Report 2011-2012)

To ensure the smoothness of internal communications, it has been needed to understand local culture and assess the need of a local agent who could have been advising on the culture peculiarities and possibly running the business locally. Based on the interview results, the knowledge of the local business peculiarities would have been crucial. It has been stated as especially crucial in the beginning when company's brand would not be yet recognized and the talent acquisition process would be not yet established.

Table 7: Assessment of the Internal metrics in relation to Bulgaria

Assessment	**Source**
Quality of internet connection	
Average speed of 15.6 Mbps (rank 20 in the world)	The Sofia Globe 2017
Reliability of electricity (or other relevant) infrastructure	
Bulgarian electricity supply quality is poor, score 3.7 out of 7 (rank 99 in the world)	The Global Competitiveness Report 2011-2012
Blackout are not very frequent in Sofia, but a significant problem in other cities, e.g. in Veliko Tarnovo	Siili employee
Mobile communication penetration	
Mobile communication penetration is 162.9 (2013) per hundred inhabitants	Eurostat 2016
42% (2016) use mobile phone or smartphone to access internet	Eurostat 2018
Hiring and layoff processes complexity	
Hiring and firing practices flexibility score 4.1 out of 7 (rank 55 in the world)	The Global Competitiveness Report 2011-2012
Culture of operations -> Local agent need	
Knowledge of the local business culture is crucial	Siili employee, interview
Appealing brand or established talent acquisition process is required to attract new talents	Siili employee, interview

Financial metrics have been overseeing the internally important factors like cost of labor and taxation as well as factors analysis of which could have provided a long-term picture like average salary growth and living costs. The basic cost of labor has been evaluated as low in Bulgaria, total contributions paid by the employer, including health care, unemployment and social security contributions have been constituting around 35% over the base salary (Invest Bulgaria).

Understanding of the average salary could have not been enough, it would have been good to look at the numbers as a comparison of the average IT sector salaries versus the average national salary. The growth of the IT sector salaries could have also be giving a better picture of how overheated the IT market has been. Exact figures are found in the

table 8, but a more interesting fact is that Bulgaria have turned out to be a number 2 outsourcing destination in Europe and number 12 globally. It could have been seen as an early warning of raising salaries in the future due to the global interest.

Corporate and personal income taxes have been the key in Financial factors. Bulgarian tax system have seemed quite straightforward, flat tax rates of 10% have been applied to both corporates and individuals (International Tax Bulgaria Highlights 2017 and Bulgaria Individual Taxes on personal income 2017)

Foreign exchange control regulations and exchange rate trend should have also been assessed for any new location. Even though Bulgaria has been part of EU, it has had own currency, Bulgarian lev, pegged to euro. There have been no restrictions needed for payments or currency exchange, but some reporting has been required by authorities (International Tax Bulgaria Highlights 2017)

Table 8: Assessment of the Financial metrics in relation to Bulgaria

Assessment	**Source**
Profit per employee -> cost of labor	
Total contributions paid by the employer, including health care, unemployment and social security contributions - around 35% over the base salary	Invest Bulgaria
IT qualified specialist salary vs average salary and living costs	
1500€-2000€ for roles like Senior SW engineer/developer and Project Manager vs 406€ average salary in Bulgaria	Glassdoor 2017, Reinis Fischer 2017
Average salaries growth from 333€ in 2014 to 406€ in 2017	Reinis Fischer 2017
Living costs per month: family ~500€, individual ~380€	Trading Economics 2017
Number 12 in top 15 outsourcing destinations, number 2 in Europe	The 2016 A.T. Kearney Global Services Location Index
Taxation (tax holidays, tax levels)	
Flat corporate tax rate 10%	International Tax Bulgaria Highlights 2017
Flat personal income tax rate 10%	Bulgaria Individual Taxes on personal income 2017.
Exchange rate stability, foreign exchange control	

No restriction on payments or currency exchange, but some reporting needed	International Tax Bulgaria Highlights 2017
1 Bulgarian lev = ~0.5 Euros since 01/2005	European Central Bank

4.4 Validation of the metrics checklist with Bulgaria case

The metric checklist and the full assessment of Bulgaria as the possible next country for a resource-seeking foreign direct investment of Siili has been presented on the management team meeting on 19.10.2017 where expansion to Bulgaria question has been on the agenda. The final determinant metrics checklist for a resource-seeking FDI as it was presented to the management team can be found in an appendix 1 on figure 11. The checklist has been presented by the Chief Development Officer, and author has not been present personally on the meeting itself. Nevertheless, the introduction to the checklist has been made by the other to the CDO beforehand, prior to the management team meeting. On the meeting, it has been agreed by the management team that the idea to solidify Siili's presence in Bulgaria has been good and it has become a Go decision. However, due to other intense activities of opening another site to Poland and expanding operations in US, there has been only limited capacity to proceed with Bulgaria case.

Second round of interviews has been hold after the management board meeting. Below are the questions for the face to face individual interviews. Interviews' details are summarized in table 9 and can also be found in appendix 3.

1. How did you find the checklist's comprehensiveness for the purpose - what factors need to be considered when Siili is expanding with a talent-seeking purpose?
2. Do you see this checklist re-usable when there is a new country expansion consideration?
3. How did the current evaluation of Bulgaria help in decision making about the expansion?

Table 9: Summary of the second round of assessment.

Participant	**Method**	**Length**	**Where**
Participant 1	Individual interview	20	Siili HQ
Particiapnt 2	Individual interview	20	Siili HQ
Participant 3	Individual interview	25	Siili HQ

Overall assessment of the checklist based on the validation round interviews has been very positive. It has been stated that this has been a new step in Siili internal development

as the decision has been made based on the objective facts versus all the previous decisions have been made based on the gut feeling. But it has also been stated that the checklist has been good for the talent availability evaluation in the country but would not be enough to decide if FDI was a good move.

Another comment has been that in case a company has been considering several possible FDI locations, the checklist in the current state would have not allowed to compare different possibilities, or possibly even sequence those if desired so.

It has also been mentioned in the validation round that metrics in the checklist have had different weight factors, some metrics have been the key ones, like availability of the talent pool, some could have been impacted by ourselves, like loyalty to the employer, and some could have been just dealt with but were not showstoppers like time zone difference.

The original proposition for the thesis has been stating that only resource seeking metrics are relevant, but feedback interviews revealed that in order to make a decision about the foreign direct investment, the first 3 factors from the A.T Kearney Foreign Direct Investment Confidence Index have to be considered. Those are: general security environment, efficiency of legal and regulatory processes, tax rates and ease of tax payments.

5 Discussion

This chapter discusses the conclusions of the research and possible further development. Own study reflections are also documented in the chapter.

5.1 Ethical issues

The following ethical considerations (Research Methodology 2017) have been performed during the study process:

- Interview participants have been first asked if they were interested in being part of the study, participant has not been nominated by any other means than voluntarily.
- Interview participants full names have not been indicated in the study papers.
- Reference to the work of other authors has been maintained across the study paper according to Haaga-Helia guidance to reference.

Even though researcher has been in an internal role in the subject company, one could have argued about the researcher's objectivity based on not being involved into the final decision of expansion to Bulgaria, so researcher has been remaining impartial. My role as a researcher has been to collect the data for the country assessment, and try to remain objective in analysing the data and providing the assessment of each metric; but providing any recommendations for the final Go/No-Go decision has not been in the scope of the research.

5.2 Conclusions

In this work, the research question "What metrics are determinant when a multinational corporation (MNC) is expanding its operations to a new location in order to get assets for competence management?" has been attempted to be answered. This work has been done in the four phases: research, development, implementation and feedback, also described in table 10.

The area for the research has been suggested by Siili's Chief Development Officer, internal research supervisor, but no concrete topic has been chosen first. The research should have concerned building dynamic capabilities. When the employee's initiative about the expansion to Bulgaria has been raised, it was discussed that the topic is relevant for the talent management dynamic capabilities area and the research can address the expansion to Bulgaria with a structured approach.
First, in the research phase, relevant literature has been read, skimmed and reviewed. A major literature review effort has been made in the attempt to find a starting point and

build a research proposition. Main achievement in this phase was understanding the Dunning's Eclectic Paradigm Model, Siili's challenge's position in it, and formulating 2 propositions:

- Building "competence management" dynamic capabilities can be done in a form of a resource-seeking Foreign Direct Investment.
- Determinant metrics in a resource-seeking FDI decision are different from the overall (macroeconomics) level metrics.

In the development phase, the main research question has been identified together with the internal supervisor. Main research question has been "What metrics are determinant when a multinational corporation is expanding its operations to a new location in order to get assets for competence management?" Secondary research including studies, surveys and global indexes has helped with compiling the first version of the determinant metrics. The A.T Kearney Foreign Direct Investment Confidence Index has been used as a starting point, the relevant metrics for a resource-seeking FDI has been trimmed out of it to compile the first skeleton of the checklist. That version of metrics has been enriched after bringing new perspective based on the balanced scorecard approach. The enrichment was done based on the secondary research and based on the results from the first round of interviews. There have been 5 interviews conducted after the first draft of the checklist has been compiled. Interviews have been semi-structured with a pre-defined list of questions, also seen from appendix 2, and with an open flow of discussion at the same time when a new viewpoint or unforeseen discussion direction has been coming up. The result of the development phase has been the final version of the checklist, which can also be found on figure 11 in appendix 1.

Implementation phase has included the validation of the theoretical checklist with one country case, Bulgaria. The author of the checklist has interpreted each metric and found a qualitative or a quantitative way to assess each metric from the list. The sources for the assessments have mainly been the data analysis results from the first round of interviews. In the validation phase, the data collected on the interviews has been analysed, common themes and keywords were identified. The main result of the implementation phase was a power point presentation summarizing the assessment of the Bulgaria against the theoretical checklist from the development phase. The slides deck was delivered to the management team meeting with the Bulgaria expansion on the agenda. Management team has made a Go decision that day.

After the management meeting, a second round of interviews was conducted with the members of the management team in order to collect feedback about the checklist. The result of the feedback phase was the understanding of the checklist's usefulness and

comprehensiveness, validation of the original propositions, and collection of the future development ideas.

Table 10: Four phases of the research on a timeline.

Phase	What was done	Timeline
Research	Finding relevant literature sources, reading, reviewing. Scoping a research topic, creating propositions.	June-September 2017
Implementation	Main research question formulation, data collection with the secondary research and the first round of interviews.	September-October 2017
Validation	Interviews' data analysis. Compilation of the final checklist and country assessment. Material delivery to the management team meeting.	October 2017
Feedback	Feedback collection via the second round of interviews.	October-December 2017

5.3 Discussion and suggestions for development

As an answer to the main research question, a checklist containing the determinant metrics have been compiled. After that, the checklist has been validated with one case country, Bulgaria, which has helped Siili's management board to make educated and transparent decision about expanding Siili's operations to Bulgaria. After the decision was made, a feedback from the management team has been collected to understand the comprehensiveness of work and the future development. Feedback was overall positive, the checklist was found comprehensive and useful in making an educated decision.

One of the goals has not only been to assess the Bulgaria expansion initiative but to create a re-usable list of metrics which can be looked at when a new expansion initiative arises. This goal has been achieved based on the perception of the Siili's management board and the interviews' results. The main research question has been answered and Bulgaria expansion initiative has received a Go decision, and the research work has served a good basis or the decision making.

Validation and feedback of the study have revealed that while the identified metrics are relevant for a resource-seeking FDI, they are not sufficient for an FDI Go decision, but nevertheless serve a great indicator if FDI is a good step for building the competence management dynamic capability.

For the future development of the list into the broader framework, the following development can be considered:

- differentiate capital area with rural areas
- the weights of the different factors in the list,
- absolute values for the analysis to be used in case several expansion initiatives are considered and need to be assessed against each other
- recommendation of the method of the expansion: partnership, greenfield, acquisition.

Some of the countries are not so homogeneous in their level of services and development, so in the next assessments, it might make sense to separate the assessment for a capital area and rural parts, maybe even taking other big cities as an own assessment. The weight of the different factors is important because some metrics might be a showstopper for the Go decision, whilst other metrics might just be an unpleasant experience that can be mitigated or accepted.

In case where several alternative countries are considered, absolute values for each metric can be used in relationship to each other. For example, assume that two countries are assessed in parallel, Bulgaria and the Netherlands. Labor costs in Bulgaria are three times smaller than in Netherland, so Bulgaria gets 3 points and the Netherlands - one. While labor costs have euro tag attached and might be comparable between each other, some factors are not, e.g. reliability. But one might say even subjectively (as an assumption for the sake of the demonstration) that workers in Netherlands are twice more reliable than in Bulgaria, so the points would go as 2 to 1 in this case. Same goes with the rest of the factors, so the country reaching the highest points wins.

Recommendation of the method of the expansion: partnership, greenfield, acquisition is a useful extension but requires own factors mapping. E.g. it was stated that Siili does not have an established talent acquisition process neither a recognizable brand in Bulgaria. One of the recommendation based on this finding could be to go forward not with a greenfield FDI but with a partnership. Theories explaining the choice of entry modes is listed in Chapter 2.3 and can be used as a starting point for the future development of this work.

As a conclusion, it can be stated that author has succeeded in creation of the determinant metrics list for the case company and validated it with a case country. As a result, more transparency has been achieved in the decision making about the Siili expansion to Bulgaria and decision reasoning can be backtracked if needed.

5.4 Evaluation of the thesis process and own learning

Thesis' practical work has been done as part of the Siili initiative of expansion to Bulgaria, and results were presented on the monthly management board meeting in November. The compilation of the initial metrics list, the interviews and the assessment itself were exciting activities but done with quite a tight schedule. The impact of this was that the practical part was completed without documenting it in a form of a thesis. Author of the study felt quite confident that writing the Master's Thesis based on the ready practical part is going to be an easy task.

On the contrary, it comes out that documenting the results in a Haaga-Helia's format of the thesis is not a motivating activity by itself, so the process extended beyond expected and required extra self-control. The process was not thought through well enough and only one final deadline was agreed with the tutor. If the same could be re-done from the start again, the suggested way would be to break the thesis in smaller parts and agree a deadline for each part separately, giving no more than several weeks for each part to complete. This would allow a constant sense of deadline and arise a need for frequent actions.

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Appendices

Appendix 1. Determinant metrics checklist for a resource-seeking FDI

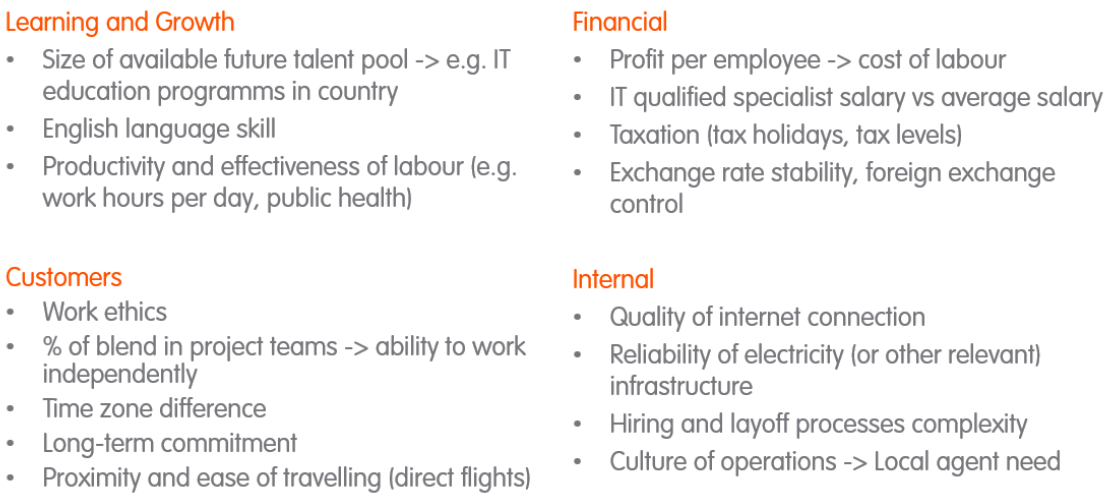

Figure 11: Determinant checklist for a resource seeking FDI

Appendix 2. Research interview questions

1. What do you think about the Siili intention to start operations in Bulgaria?
2. How do you think it is going to help with finding new talents?
3. What in your opinion is the most determinant factor when considering a new country for operations?
4. Here are some metrics, do you see if anything is missing for a new country evaluation?
5. Help me assess each metric or at least the ones you feel comfortable with?

Appendix 3. Validation interview questions

1. How did you find the checklist's comprehensiveness for the purpose - what factors need to be considered when Siili is expanding with a talent-seeking purpose?
2. Do you see this checklist re-usable when there is a new country expansion consideration?
3. How did the current evaluation of Bulgaria help in decision making about the expansion?

Appendix 4. Acronyms used in the thesis

CEO – Chief Executive Officer

CFO – Chief Financial Officer

CSO – Chief Sales Officer

CTO – Chief Technical Officer

EBITDA - Earnings before Interest, Taxes, Depreciation and Amortization

FDI – Foreign Direct Investment

HQ – Head Quarters

IoE – Internet of Everything

IT – Information Technology

KIPO – Knowledge-intensive project organisations

MNC – Multi-National Corporation

Plc – Public Limited Company

R&D – Research and Development

US – United States of America

USA – United States of America